

MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

*February 20, 2003
4:00 p.m., Mayor's Conference Room
2nd Floor County-City Building*

Members: Present – Brad Korell, Jan Gauger,
Jon Carlson, Russ Bayer, Larry Zink, Carol Brown,
Jerry Schleich, Dan Marvin, Richard Meginnis, Otis Young,
Allan Abbott (non-voting)
Absent – Linda Crump, Bob Hampton, Terry Werner

Others: Kent Morgan, Randy Hoskins, Margaret Remmenga,
Michele Abendroth

AGENDA ITEMS DISCUSSION:

1. Welcome - Jan Gauger, Committee Tri-Chair

Jan Gauger called the meeting to order at 4:03 p.m. and welcomed those present.

2. Meeting Summary Notes - December 19, 2002

Ms. Gauger asked if there were any corrections to the meeting summary notes of December 19, 2002; there were none.

3. Public Comment Period

Ms. Gauger then asked if there were any comments from the public; there were none.

4. Work Group Report: Legislation

Mr. Abbott informed the committee that there was a hearing on LB555, which is the gas tax increase for cities and counties, and he stated that he testified in favor of the two cent increase.

5. Work Group Report: Cost Savings and Efficiency

Mr. Bayer pointed the group's attention to the handout in front of them which listed the issues under consideration from the Cost Savings and Efficiency Work Group and briefly reviewed the ranking process. He stated that the group had completed their list of recommendations, and Mr. Morgan will craft a document prior to the next meeting on March 11th, at which time the group will review and possibly revise the document. He stated that it will difficult to put a price tag on

some of these savings. Mr. Bayer added that the group had come up with \$35 million in real savings and another \$100 million in deferred savings. He then thanked Mr. Abbott and his staff for their work in deriving the cost estimates.

6. Work Group Report: Finance

Mr. Korell pointed the group's attention to a document before them entitled *Status Report from the Finance Work Group*. He then briefly reviewed the sheets titled *Water and Wastewater Finance Recommendations*. Mr. Korell stated that the main premise of item number 1 is how to get the infrastructure in place to allow the city to grow at 1.5%. He also reviewed the list of assumptions in item 2. Item number 3 states that the city has the potential bonding capacity to support long-term system replacement and upgrades and expansion of capital facilities to substantially meet the needs for growth. The intent of item number 4 is to not strap the city from making good business decisions regarding financing. Item number 5 states that the city should manage its total debt to maintain an overall average debt service coverage ratio within 1.65 to 1.75. The committee also would like to see the city maintain its high bond ratings as described in item number 6. Item number 8 states that the city should embark on a systematic approach for reviewing and adjusting utility rates.

Mr. Korell also stated that the Finance Work Group had considerable discussion on the federal mandates on the quality of the water discharge from the basin. It was estimated that it would cost approximately \$10 million to upgrade the system to meet these standards.

Mr. Korell also reviewed the funding sources spreadsheets for Category 5 on water and wastewater. These spreadsheets allowed the group to look at the funding projections on a year by year basis to see when we needed money to get things done in the right sequence. Ms. Remmenga reminded the committee that these numbers do not take into consideration inflation. Mr. Korell then reviewed the assumptions used in making these projections.

The next document reviewed was prepared by the city's financial advisor, Ameritas Investment Corp. Mr. Korell stated that Bill Giovanni of Ameritas had prepared cash flow projection spreadsheets for water and wastewater, which, in summary, showed that we could finance the debt.

Mr. Korell then reviewed the last sheet of the handout which showed current monthly water and wastewater bills for several communities, of which Lincoln ranked second lowest in comparison to other communities similar in size and in close proximity to Lincoln.

Mr. Korell added that the finance committee has had considerable discussion about whether or not inflation should be included in the cost of the capital improvements. He stated that the city builds in about a 20-25% contingency as they make these estimates, and history shows that we use most of that. He also noted that LES has a firm to advise them on debt issuance, which is different than Ameritas. Mr. Korell stated that he had asked this firm to look at the finance recommendations. The firm noted that inflation is important, but there are two mitigating

factors; generally speaking, city's plan more than they can accomplish, and it is difficult to determine what inflation number to use.

Mr. Korell questioned the group on their acceptance of the document. Mr. Zink moved for acceptance of the *Status Report from the Finance Work Group*; it was seconded by Mr. Meginnis. There was unanimous agreement to accept the document as written.

Mr. Carlson brought forth the issue of timing in regard to what projects can be deferred. Mr. Marvin stated that Mr. Abbott has said that you have to put water, sewer and roads in at the same time. He questioned if that is required and if possibly roads could be deferred. Mr. Schleich stated that from his vantage point, it would be bad because it would slow things down. Mr. Bayer stated that the Committee's task is to look at the gap and see how we can finance the gap. Mr. Carlson stated that he brought up the issue because we need to be mindful of that as we go through the process. Mr. Abbott stated that what it comes down to is what will the community live with. He added that in all fairness, it may not be the developer or homebuilder that has the problem, it may be the homeowner if they can not get out because the road is torn up. Mr. Schleich stated that on a long term basis, it would be unacceptable. He added that the deferrals that the Cost Savings and Efficiency Committee have made have been in parts of the road, not in the basic roadway. Mr. Abbott stated that the projects that have been deferred have been the ones with the least amount of pain. Mr. Zink stated that this issue has also been brought forth in the Finance Committee, and the response has been that this issue is not in the charge of this group.

Mr. Bayer stated that the Cost Savings and Efficiency Committee has discussed the issue, *extend the time for phasing and installation of infrastructure improvements*, and stated that it has been addressed and accepted by the group. Mr. Carlson stated that he feels there may be largely varying opinions on what that means. Mr. Marvin stated that he would like an assessment of how painful it would be not to have the coupling of water, wastewater, and roads together. He added that he is getting the impression that it would not work. The idea that you can push things back a little bit makes sense, but he understands if that doesn't work. Mr. Abbott stated that we tried to build in the minimum road that the Cost Savings and Efficiency Work Group recommended should be built, which is a three lane roadway, thereby deferring the cost of the additional two lanes. Mr. Abbott stated that he cannot give the Committee finite answers at this point. Mr. Young added that none of us can predict human behavior and growth. Mr. Korell stated that we need to move on and let the committees complete their jobs.

Mr. Carlson stated that his question is if we have looked at what is the difference in accomplishing the cinnamon colored area in 12 years versus 15 years. Mr. Zink agreed that if he does not have these options to look at, he probably will not vote for something.

Ms. Gauger asked if we are primarily concerned with dollars or is there another issue. If it is a question of dollars, then she believes that we will have our answer after the Finance Work Group completes their work. If it is an issue beyond the dollar gap, then we have not discussed that. Mr. Carlson stated that the issue for him is that in the end, it may come down to the way we

generated the revenue is not supportable by him because it is too high. He stated that he does not want to come to the end of the process and have that number be questioned that it is too high. Mr. Korell stated that he feels that we need to solve for that number and see where we are at that point.

Mr. Marvin stated that he would like to see some generalized agreement that roads do not have to be put in at the same time as sewer and water. Mr. Abbott responded that sewer is not going to be physically affected by road construction, but water can be. He stated that we do not want to relocate water mains when you build the road. You have to have enough done and know where the water is going to be, otherwise you will end up relocating the water main when the road goes through, because the water main is going to be in the same right-of-way as the roadway. The sewer line may or may not be, and probably will not be because it is going down the bottom of the hill. If you build the road, you do not want to move the water main because then you spend twice the money.

Mr. Young suggested adjourning the meeting at this point and ending the discussion. Ms. Gauger commented that this discussion was necessary and worthwhile.

The next meeting will be March 20th at 4:00 p.m.

Ms. Gauger adjourned the meeting at 5:25 p.m.

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